

Message Text

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43

ACTION NEA-10

INFO OCT-01 ISO-00 EB-06 DRC-01 RSC-01 /019 W

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R 150825Z OCT 74

FM AMEMBASSY NEW DELHI

TO USDOC WASHDC

SECSTATE WASHDC 4506

UNCLAS NEW DELHI 13728

E.O. 11652: N/A

TAGS: EALR EIND IN

SUBJECT: REVISED CONTROL CLOTH SCHEME OF THE GOI

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS FROM BOMBAY
OCT 11 REPEATED:

QUOTE

BOMBAY 2456

1. COTTON MILLS AND GARMENT EXPORTERS OF INDIA HAVE BEEN BROUGHT UNDER A NEW SCHEME OF "COMBINED EXPORT-CUM-CONTROLLED CLOTH OBLIGATIONS" EFFECTIVE OCTOBER 1, 1974. (CONTROLLED CLOTH MEANS MANDATORY PRODUCTION OF CLOTH OF CHEAPER VARIETY FOR MASS CONSUMPTION). THE TEXTILE COMMISSIONER'S NOTIFICATION (COPY POUCHED TO EMBASSY) INDICATES THAT THE PRODUCTION OF CONTROLLED CLOTH IN THE QUARTER OCTOBER/DECEMBER 1974 HAS BEEN FIXED AT 30 PERCENT OF THE MILL'S PACKED PRODUCTION OR 8.60 SQ. METERS PER LOOM SHIFT WORKING DURING APRIL/JUNE 1974. THE NEW SCHEME HOPES TO STIMULATE EXPORTS WHILE PROVIDING CHEAPER CLOTH TO THE MASSES.

2. AN EXPORT SET-OFF FACILITY TO PROMOTE EXPORTS WILL BE AVAILABLE TO MILLS AGAINST THEIR CONTROLLED CLOTH OBLIGATION OF OCTOBER/DECEMBER 1974 AT THE RATE OF 1 SQ. METER OF CONTROLLED CLOTH AGAINST EVERY RS. 5 WORTH OF EXPORTS. THE MILLS' OBLIGATION OF PRODUCTION OF 800 MILLION SQUARE METERS HOWEVER, REMAINS UNCHANGED.

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3. INDUSTRY CIRCLES HAVE GENERALLY WELCOMED THIS DEVELOPMENT, WHICH THE GOI FEELS WILL FACILITATE FULFILLMENT OF THE EXPORT TARGET OF RS. 2.35 BILLION (DOLS313 MILLION/RS. 7.50 EQUAL DOLS1) FOR FISCAL 1974-75 ALONG WITH INDUSTRY'S OBLIGATION FOR PRODUCTION OF CHEAP CLOTH FOR THE MASSES. A SENIOR OFFICIAL OF COTTON TEXTILE EXPORT PROMOTION COUNCIL HAS INFORMED US HE BELIEVES THAT TARGET FULFILLMENT WILL BE DIFFICULT BECAUSE OF OVERPRICED INDIAN TEXTILES IN WORLD MARKET.

4. HOWEVER, WE ARE INCLINED TO BELIEVE THAT IN VIEW OF THE RECESSIONARY TRENDS EXPERIENCED AND CONSEQUENT FALL IN PRICES OF INDIGENOUS COTTON CLOTH RECENTLY, HOPES FOR REVIVAL OF EXPORTS ARE NOT UNFOUNDED. SIGNED BANE UNQUOTEMOYNIHAN

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